SUMMARY OF THE REGULAR MEETING OF THE
ARIZONA STATE RETIREMENT SYSTEM
OPERATIONS COMMITTEE

HELD ON
Tuesday, May 25, 2006
10:30 a.m., MST

The Operations Committee (OC) of the Arizona State Retirement System (ASRS) met in regular session in the 14th Floor Conference Room of the ASRS Office, 3300 North Central Avenue, Phoenix, Arizona 85012. Mr. Michael Townsend, Chair, called the meeting to order at 10:30 a.m.

This meeting was teleconferenced to the ASRS Tucson office at 7660 East Broadway Boulevard, Suite 108, Tucson, Arizona 85710.

1. Call to Order; Roll Call; Opening Remarks

Present: Mr. Michael Townsend, Chair (via Teleconference)
               Mr. Steven Zeman, Vice-Chair
               Dr. Keith Meredith
               Mr. David Byers (arrived at 10:35 a.m.)

A quorum of the Committee was present for the purpose of conducting business. Mr. Zeman served as the Chair as Mr. Townsend was attending the meeting via Teleconference.

2. Presentation, Discussion and Appropriate Action Regarding the Deputy Director's quarterly Information Technology (IT) Plan Report

Mr. Anthony Guarino, Deputy Director, Chief Operations Officer, updated the Committee on the status of the IT Plan. Mr. Guarino delivered a few opening remarks and then asked Bob Solheim, the ASRS Independent Advisory Consultant (IAC) to update the Committee on the status of various projects within the IT Plan.

Mr. Solheim presented a chart to the Committee regarding an assessment of the enterprise IT plan's progress. The chart was divided into the various key performance indicators of the plan. Each indicator was rated green (satisfactory progress), yellow (at risk), or red (unsatisfactory).

All items were rated green, except three indicators that were tagged as yellow: the progress on the schedule, the staffing levels, and the service level agreements being met by third-party vendors. Mr. Solheim indicated the three yellow items were being managed, and expected at least two of the yellow items to be moved to green status by the next quarterly report.

Mr. Guarino also gave an update regarding the ASRS website, noting that nearly 3,400 people had registered on the website for access to their accounts. There was a general discussion about the possibility of advertising the ability to register on the website, and Mr. Guarino suggested that such a plan be implemented in a manner that best suits the agency's objectives.

Mr. Kent Smith, Assistant Director, Information Services Division (ISD), gave an update on the current status of various information technology projects. He said that only five (5) items were at a 30% or less completion status and stated that things were looking favorable that all items would be completed on time. He noted the Forfeitures & Disbursements and the Filenet items were nearly complete.

3. Presentation, Discussion and Appropriate Action Regarding the ASRS Business Continuation Plan Report

Mr. Smith addressed the Committee regarding the recently conducted test of the Business Continuation Plan (BCP) held on March 8-10, 2006. He noted that all portions of the test were successful with the exception of connecting to the Document Imaging System. He said that this was the first time the ASRS team had attempted to access the Document Imaging System and it took a significant amount of time to resolve the issues and gain connectivity. Mr. Guarino stated that the BCP scenarios were becoming very helpful in preparing the agency for any problems that might disrupt normal day-to-day operations of the ASRS.

Committee members inquired into how much of a surprise the BCP scenario was and if a plan had been established to deal with something such as a pandemic. Mr. Smith and Mr. Guarino stated that they are attempting to make the scenarios as real as possible, and will continue to exercise different scenarios to make the agency efficient in handling various crises.

4. Presentation, Discussion and Appropriate Action Regarding the Member Services Advisory Center Annual Plan

Mr. Guarino addressed the Committee regarding the annual plan for the Member Services Advisory Center (MSAC). He said there is an internal audit on the MSAC and the preliminary report is prepared and being reviewed. Mr. Raymond Thomas, Member Services Division (MSD) Assistant Director stated that the service level within the MSAC has increased greatly since he arrived at the ASRS. He said there have been some set backs such as the recent resignation of the person overseeing the call center, but the MSAC is on track for providing people high levels of service.

Mr. Thomas gave an overview of how the calls were being tracked. He mentioned that calls were being designated by the nature of the call and the information contained within it. Due to limitations, however, he said the MSAC was not assigning calls a "primary" vs. "secondary" designation. He said the goal of the MSAC was to answer the questions by members and retirees on "first blush." Additionally, in order to help better track calls, a forecasting agency and methodology may be brought on board in the future.

A question was raised regarding peak periods of calls coming into the MSAC. Mr. Guarino stated the agency is trying to address that issue, but there are challenges due to the fact that if you have full-time staff, you encounter a lot of idle time. Hiring part-time individuals is possible, but finding such people with flexible schedules is often difficult. Mr. Thomas said one alternative is to hire people willing to work 30 hours a week. Another suggestion was that employees be able to handle calls at home which would favor bringing part-time employees into the workforce.

5. Presentation, Discussion and Appropriate Action Regarding the ASRS LTD Claims Administration RFP Evaluation and Recommendation

Motion: Dr. Keith Meredith moved the Committee members convene to executive session to consider the LTD Claims Administration RFP Evaluation and Recommendation.

Mr. Dave Byers seconded the motion.

By a vote of 4 in favor, 0 opposed, 0 abstentions, and 0 excused, the motion was approved.

The Committee members adjourned to Executive Session at 12:09 p.m.

The Committee members reconvened to the public meeting at 12:38 p.m.

Motion: Dr. Keith Meredith moved the Committee recommend to the Board to accept the recommendation of the Evaluation Committee regarding the LTD Administration RFP.

Mr. Dave seconded the motion.

By a vote of 4 in favor, 0 opposed, 0 abstentions, and 0 excused, the motion was approved.

6. Review of Recently Conducted Audits

- **Agency Correspondence**
- **Rose Academies**

Mr. Bernard Glick, Chief Internal Auditor, gave a brief overview of the audit on the agency correspondence of the ASRS. He stated that the internal auditors had reviewed nearly 500 documents and stated that, for the most part, the audit was very favorable. He did cite the recommendations of the auditors which included all documents adhering to proper grammar,

punctuation and spelling, the updating of all forms to reflect recent legislation, and correspondence being sent out on a timely basis.

Mr. Glick then gave a brief overview of the audit on the Rose Academies, which included Mountain Rose Academy, Desert Rose Academy, and Canyon Rose Academy. He stated the audit concluded that Rose Academies owed the ASRS $4,070 in contributions that were not submitted due to unreported or underreported gross earnings. Mr. Glick stated the Rose Academies would be making the appropriate contributions shortly.

7. Request for Future Agenda Items

The Committee members asked the following items be considered for future agendas:

- The 70 ½ issue
- "Spiking" in current audits
- Cycles of Communication – ensuring that all communication is uniform
- Internal financial audit controls

8. Call to the Public
No members of the public addressed the Committee.

9. Adjournment of the OC
Mr. Michael Townsend adjourned the meeting at 12:56 p.m.

Respectfully Submitted by,

_____   _____
Zachary Kucera   Date   Anthony Guarino   Date
Committee Secretary   Deputy Director, Chief Operations Officer